



U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

04-308

**CONFORMED
COPY**

USAID Grant Number 263-K-644

RESULTS PACKAGE AGREEMENT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND THE
UNITED STATES OF AMERICA
FOR
DEVELOPMENT SUPPORT PROGRAM II

Dated: 30 SEP 2001

"Certified to be a true copy of the original document signed on behalf of the Government of U.S. by Ambassador C. David Welch, and Mr. Willard J. Pearson, USAID Director, and on behalf of the Government of Egypt by Dr. Ahmed El-Dersh, the Minister of State for International Cooperation, and Dr. Abdulla Marzban, Administrator of the Department for Economic Cooperation with U.S.A."

PA-263-01-0644.00

FUNDS RESERVED

App.	721/21037	Res. No.	P010218
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	016	Amount	\$150,000,000
Off. Code		Acc. Basis	
Agent Code		Obig. End Dt.	09/30/2007
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P. Weisenfeld
Paul Weisenfeld, Director
Legal Office

Table of Contents
Results Package Agreement

	<u>Page</u>
ARTICLE I : Purpose	1
ARTICLE II : Strategic Objective and Result	1
SECTION 2.1. Strategic Objective	
SECTION 2.2. Result	
SECTION 2.3. Annex 1, Amplified Description	2
ARTICLE III: The Grant	2
SECTION 3.1. USAID Contribution	2
SECTION 3.2. Total Estimated USAID Contribution	2
ARTICLE IV: Requirements Precedent to Disbursement	2
SECTION 4.1. Requirements Precedent	2
SECTION 4.2. Requirements Precedent to Performance Disbursement	3
SECTION 4.3. Notification	4
SECTION 4.4. Terminal Date for Requirements Precedent	4
ARTICLE V : Disbursement	4
SECTION 5.1. Performance Disbursement	4
SECTION 5.2. Date of Disbursement	5
SECTION 5.3. Terminal Date for Disbursements	5
ARTICLE VI: Use of Grant Proceeds	5
SECTION 6.1. Agreed Uses	5
ARTICLE VII : Special Covenants	6
SECTION 7.1. Accounting for Grant Proceeds	6
SECTION 7.2. Prohibited Uses; Replenishment of Proceeds	6
SECTION 7.3. Local Currency Account	7
SECTION 7.4. Taxation and Duties	9
SECTION 7.5. Reporting	9
SECTION 7.6. Evaluation	9
SECTION 7.7. Consultations	10
ARTICLE VIII: Miscellaneous	10
SECTION 8.1. Implementation Letters	10
SECTION 8.2. Representatives	10
SECTION 8.3. Communications	11
SECTION 8.4. Amendment	11
SECTION 8.5. Language of Agreement	12
SECTION 8.6. Effective Date	12
SECTION 8.7. Ratification	12

USAID Grant No. 263-K-644

Grant Agreement

For

Development Support Program II

Dated 30 SEP 2001

Between

The Arab Republic of Egypt ("A.R.E." or the "Grantee")

And

The United States of America, acting through the
U.S. Agency for International Development ("USAID").

ARTICLE I: Purpose.

The purpose of this Grant Agreement ("Agreement") is to set out the understandings of the parties named above (the "Parties") about the program described below.

ARTICLE II: Strategic Objective and Result.

SECTION 2.1. Strategic Objective. This Agreement is one of a number of agreements that fund activities and programs to achieve USAID/Egypt's Strategic Objective 16 (SO16): Environment for Trade and Investment Strengthened.

SECTION 2.2. Result. In order to achieve this Strategic Objective, the result sought by this Agreement ("Result") is to improve the policy framework for trade and investment.

SECTION 2.3. Annex 1, Amplified Description. Annex 1, attached, amplifies the above Result. Within the limits of the above definition of the Result in Section 2.1, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

ARTICLE III. The Grant

SECTION 3.1. USAID Contribution. To help achieve the Result set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee, under the terms of this Agreement, not to exceed One Hundred Fifty Million United States Dollars (\$150,000,000) (the "Grant").

SECTION 3.2. Total Estimated USAID Contribution. USAID's total estimated contribution to achievement of the Result will be One Billion, Two Hundred Million United States Dollars (\$1,200,000,000), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

ARTICLE IV. Requirements Precedent to Disbursement

SECTION 4.1. Requirements Precedent. Prior to the disbursement of any proceeds of the Grant, or to the issuance by

USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the parties may otherwise agree in writing, furnish to USAID, in satisfactory form and substance:

(a) a statement of the names of the persons holding the offices specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person so designated;

(b) a designation of the interest-bearing bank account to which the Grant proceeds are to be deposited, together with the Grantee's certification that such bank account is established and will be maintained in the manner required by Section 7.1 of this Agreement; and

(c) a statement of the means by which funds will be withdrawn from said bank accounts.

SECTION 4.2: Requirements Precedent to Performance Disbursements. Except as the Parties may otherwise agree in writing, prior to each disbursement of Grant funds pursuant to Section 5.1 ("Performance Disbursement") or to the issuance by USAID of documentation pursuant to which such Performance Disbursement will be made:

(a) the requirements precedent set forth in Section 4.1 shall have been met;

(b) the Grantee shall be determined by USAID to be making satisfactory progress towards achievement of the Result through implementation of its comprehensive program of economic reforms agreed to by the Grantee and USAID; and

(c) the Grantee shall be determined by USAID to be in compliance with all of the terms, conditions and covenants of this Agreement.

SECTION 4.3. Notification. When the requirements precedent specified in Sections 4.1 and 4.2 have been met, the Grantee will be promptly notified by USAID.

SECTION 4.4. Terminal Dates for Requirements Precedent

(a) If the requirements precedent specified in Section 4.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as the Parties may agree to in writing, USAID may terminate this Agreement by written notice to the Grantee.

(b) If the requirements precedent specified in Section 4.2 have not been met within such time periods as may be agreed upon in writing by the Parties, USAID may terminate this Agreement by written notice to the Grantee.

ARTICLE V. Disbursement

SECTION 5.1. Disbursement of the Grant. At such times as the Parties may mutually agree, and upon satisfaction each such time of the requirements precedent set forth in Section 4.2

of this Agreement, USAID will deposit, from Grant proceeds, a "Performance Disbursement" in the bank account or accounts designated by the Grantee, pursuant to Section 4.1(b), in the amounts agreed by USAID.

SECTION 5.2. Date of Disbursement. Each disbursement will be deemed to occur on the date USAID makes such deposit, in accordance with Section 5.1.

SECTION 5.3. Terminal Date for Disbursements. No disbursements of Grant proceeds by USAID shall be made after September 30, 2007, except as the Parties may otherwise agree in writing.

ARTICLE VI. Use of Grant Proceeds

SECTION 6.1. Agreed Uses. The Parties agree that the Grant proceeds will be used, subject to the restrictions of Section 7.2 below, and to such elaboration as may be provided in Implementation Letters, for any or all of the following purposes:

(a) to procure commodities and related services of U.S. source and origin, as defined by USAID; and

(b) to repay debts of the Grantee, either owed to or guaranteed by the United States of America; provided, however, that, except as the parties may otherwise agree in writing, Grant proceeds used for the purpose stated in Section 6.1(b) hereof shall not exceed twenty-five percent (25%) of the total amount of

Grant proceeds provided to the Grantee by USAID under the terms of this Agreement.

ARTICLE VII. Special Covenants

SECTION 7.1. Accounting for Grant Proceeds. The Parties agree on the following applicable procedures:

(a) Grant proceeds will be deposited into an interest-bearing bank account established by the Grantee solely for the receipt of this cash disbursement assistance from USAID, together with any interest earned on such Grant proceeds. Such proceeds may not be commingled with other funds from whatever source. Any interest earned on such account will be treated as though it were principal (i.e., Grant proceeds) received under the terms of this Agreement.

(b) The Grantee will maintain documents, in accordance with generally accepted accounting principles and practices, concerning the dollar bank account and the use of Grant proceeds, and will make such documents available for quarterly reviews and annual audit by USAID or its designees for the period of the Grant and up to three years following the date of the last disbursement from the account referred to in this Section.

SECTION 7.2. Prohibited Uses; Replenishment of Proceeds.

Grant proceeds may not be used to finance the import of ineligible commodities including commodities for military or

paramilitary purposes; surveillance equipment, abortion equipment, luxury goods and gambling equipment, or weather modification equipment; nor may Grant proceeds be used for purposes other than those authorized pursuant to Section 6.1. The Grantee agrees to re-deposit to the bank account described in Section 7.1 of this Agreement U.S. Dollars equal to the amount of any Grant proceeds used for purposes prohibited under this Section, plus any interest that would have been otherwise earned on such proceeds, and to treat such re-deposited amounts as though they were principal (i.e., Grant proceeds) and interest received under the terms of this Agreement.

SECTION 7.3: Local Currency Account

(a) The Grantee will establish a separate non-interest bearing account (the "Local Currency Account") in the Central Bank of Egypt, and will deposit into such account currency of the Arab Republic of Egypt, equivalent to the amount of Grant proceeds utilized by the Grantee or any authorized agency thereof, to procure or import commodities eligible under Section 6.1(a) of this Agreement. Such funds, so deposited to the Local Currency Account, shall not be commingled with any other funds from whatever source.

(b) The Grantee shall make such deposits to the Local Currency Account as required by Section 7.3(a) of this Agreement

at such times and in such amounts in accordance with the requirements stipulated in an Implementation Letter.

(c) The Grantee shall make such deposits to the Local Currency Account at the daily average closing selling rate for transfers as determined by the Free Market Central Chamber for the last business day immediately preceding the date determined for computing the amount of the Local Currency deposit to be made, as stipulated in an Implementation Letter.

(d) Funds deposited in the Local Currency Account pursuant to this Agreement shall be jointly programmed by the Parties hereto.

(e) The Grantee will maintain, or cause to be maintained, in accordance with generally accepted accounting principles, documents in support of deposits to and expenditures from the Local Currency Account. Such documents will be available for review and audit by USAID, or its designees, for the period of the Grant, and up to three years following the last disbursement from the Local Currency Account made in accordance with the provisions of this Agreement. Local currency generated from the Grant will be used to finance audits on the local currency account.

(f) Local Currency Account funds, if any, not used in accordance with the foregoing will be replenished by the Grantee from its own resources.

SECTION 7.4. Taxation and Duties. This Agreement and the Grant funds will be free from any taxation or fees imposed under laws in effect in the Arab Republic of Egypt. No Grant proceeds shall be used to pay taxes, customs duties or other fees applied by Egyptian authorities to commodities funded with Grant proceeds.

SECTION 7.5. Reporting. Except as the Parties may otherwise agree in writing, the Grantee will furnish USAID with a quarterly report on uses of Grant proceeds and the status of the designated bank account, pursuant to Section 7.1 of this Agreement, and quarterly reports on the status of the local currency Special Account activity, pursuant to Section 7.3 of this Agreement. Additional reporting requirements and formats will be established in Implementation Letters.

SECTION 7.6. Evaluation. The Parties agree to establish an evaluation program as part of the Agreement. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Agreement, and at one or more points thereafter:

- (a) evaluation of progress toward attainment of the objectives of the Agreement;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Agreement.

SECTION 7.7. Consultations. The Parties shall periodically consult on implementation of this Agreement.

ARTICLE VIII. Miscellaneous

SECTION 8.1. Implementation Letters. USAID may from time to time issue Implementation Letters elaborating on terms of this Agreement, further describing applicable procedures, or recording agreement of the Parties on details of implementation.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of International Cooperation and/or the Administrator of the Department for Economic Cooperation with U.S.A., and USAID will be represented by the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement or revising the Result. Either Party may accept as authorized any instrument signed by such representatives of the other Party in

implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Communications. Any notice, request, document, or other communication submitted by either of the parties to the other under this Agreement will be communicated by letter mail, registered mail, telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses, as applicable:

To the Arab Republic of Egypt:

To the GOE:

Ministry of International Cooperation
Department for Economic Cooperation with the U.S.
48-50 Abdel Khalik Tharwat Street
5th Floor
Cairo, Egypt

To USAID:

USAID
Plot 1/A
Off El-Laselki Street,
New Maadi,
Cairo, Egypt

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.4. Amendment. This Agreement may be amended by the execution of written amendments by the authorized

representatives of both the Parties designated in Section 8.2 above.

SECTION 8.5. Language of Agreement. This Agreement is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version shall prevail.

SECTION 8.6. Effective Date. This Agreement shall enter into force when signed by both Parties hereto.

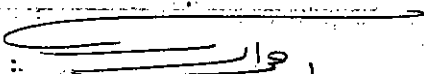
SECTION 8.7. Ratification. The Grantee will take all necessary action to complete all legal procedures necessary for ratification of this Agreement, and will notify USAID as promptly as possible of the fact of such ratification.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

UNITED STATES OF AMERICA

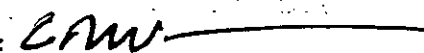
BY



NAME : Dr. Ahmed El-Dersh

TITLE: Minister of Planning
and Minister of State for
International Cooperation

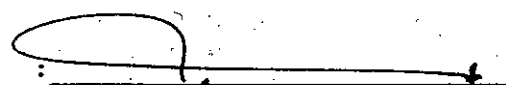
BY



NAME : C. David Welch

TITLE: American Ambassador

BY



NAME : Dr. Abdulla Marzban

TITLE: Administrator of the
Department for Economic
Cooperation with U.S.A.

BY



NAME : Willard J. Pearson, Jr.

TITLE: Director,
USAID/Egypt

Annex 1 Amplified Description

I. Introduction.

This Annex 1 to the Agreement between the A.R.E. and USAID for the Development Support Program II (DSP II) describes the program to be supported and the Result to be achieved with the funds obligated herein. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

II. Background.

The A.R.E. is undertaking its own program of economic policy reform that aims to increase productive private sector employment through increased trade and investment. DSP II continues efforts -- through prior policy reform programs and other policy related activities -- to encourage and support the A.R.E. economic policy reform program. The provision of the cash transfer resources to be provided under DSP II is the primary element of this Grant Agreement. DSP II funds may be directed to finance other sector policy programs (e.g., health, environment, education, and agriculture).

The DSP II is directed at achieving USAID/Egypt's new overall goal of "a globally competitive economy benefiting Egyptians equitably." DSP II consists of a group of policy reform objectives and areas that are intended to help achieve USAID/Egypt's Strategic Objective 16 (SO-16) of, "environment for trade and investment strengthened." This SO is intended to generate broad-based increases in family income, thus directly reducing poverty and enabling the gradual removal of consumer subsidies that currently preclude market prices from allocating goods and services in an efficient manner. Accordingly, the main purpose of DSP II is to support the A.R.E.'s on-going policy reform agenda to encourage and support private sector development through increased trade and investment.

III. Funding.

The Illustrative Financial Plan for DSP II is set forth in Attachment 1 to this Amplified Description. It is anticipated that annual obligations of up to \$200 million will be made to this program starting in FY 2001, for a total estimated USAID contribution of up to \$1.2 billion.

IV. Result to be Achieved.

DSP II is one of several USAID-funded programs designed to achieve SO 16 of strengthening Egypt's environment for trade and investment. The specific result sought by DSP II is to improve the policy framework for trade and investment in Egypt. USAID intends to provide, through separate agreements, technical assistance, research and other support, to assist the A.R.E. in implementing its economic policy reform program. USAID and the A.R.E. will use the following indicators to measure accomplishment of this result:

- Increasing non-petroleum exports and imports of goods as a percent of GDP;
- Improving WTO compliance;
- Reducing trade weighted average tariff;
- Liberalizing customs procedures;
- Privatizing Law 203 companies and joint venture firms;
- Reducing the lag time for the publication of the National Accounts data;
- Selected laws and decrees passed; and
- Selected laws and decrees implemented.

IV. Activities.

DSP II will provide disbursements of approximately \$200 million annually over six years, depending on A.R.E. progress towards implementing its economic policy reform program.

V. Roles and Responsibilities.

The Ministry of International Cooperation (MIC) will be the overall representative of the A.R.E. for the program.

For USAID, the Economic Growth Directorate, Sector Policy and Privatization Division (EG/SPP) will monitor the implementation of this activity on behalf of the U.S. Government.

Attachment 1

Development Support Program II
(DSP II)

USAID GRANT No. 263-K-0644

Illustrative Financial Plan (\$000)

Element	FY 01 Obligation	Anticipated Future Obligations	Planned Total Funding
Cash Transfer	150,000	1,050,000	1,200,000